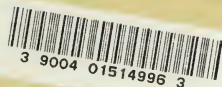


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The EDITH and LORNE PIERCE
COLLECTION *of* CANADIANA



Queen's University at Kingston

GRAND TRUNK & GREAT WESTERN RAILWAYS OF CANADA.

THE PROPOSED AMALGAMATION.

MR. W. ABBOTT,

SIR,—

I have received a circular, dated 16th March, and addressed by you to shareholders in the Great Western Railway. I observe that you only ask for a reply from those favourable to your projected scheme—the amalgamation of the two roads. I must, however, “trouble myself to notice your communication,” though I am strongly opposed to your scheme. I am not personally acquainted with Colonel Grey, or with any Directors of the Great Western Company, to whom I shall take the liberty of sending a copy of this letter; but as a native Canadian, who acquired an interest in the Company's securities from a full belief in the prospective value of the property, and as one having an intimate knowledge of the colonial railway system, I shall perhaps be excused for interfering at this juncture.

You are right, I think, in issuing a feeler before you commit yourself to the conflict, which previous defeats should have taught you is hopeless. The philanthropy which has now dictated your intervention, notwithstanding “a resolution to abstain from further interference,” would induce those readers of your circular to regard you in the light of a chivalrous crusader who do not know you to be merely a baffled and persistent “operator.” Those who know you will readily acquit you of any Quixotic motive in the course you adopt. Were you a *bona fide* investor in Great Western stock, your opinion would be entitled to weight in proportion to the knowledge of the subject displayed in your advocacy. I may be wrong in ascribing a remarkable suppression of some facts, and a distortion of others, to a want of knowledge on your part; but whether due to ignorance or design, it is a treatment of your subject which must raise suspicion of the soundness of your arguments, and of the merits of your cause. A notorious manipulator of Grand Trunk securities, having periodically recommended investment in them to his unfortunate clients, must be prepared to be doubted when, finding himself *in extremis*, he poses as the advocate of a scheme to which the Grand Trunk Company is an initiatory party. I wish to put those Great Western shareholders who are not owners of Grand Trunk stock on their guard against this latest movement of your employers. If I prove you to be a wolf in sheep's clothing, you will remember that it is you who throw out the challenge, and whether it is you or I who shall “abstain from further intervention” the result shall show. The constant revival of this project is fraught with obvious injury to the interests of the Great Western Company. It must either be shelved or consummated.

Why it will not be consummated, a perusal of this letter will, I think, convince anybody who brings a fair amount of intelligence, and any knowledge of Canada, to bear on the subject.

To sustain your indictment of the Great Western Board, you must prove:—

1. That the arrangement with the Wabash system has been generally unprofitable, or that it has not swelled the net earnings of the road, and that it has lessened receipts and profits from some other source.
2. That the Great Western has in the past year suffered more than other lines worked under the same temporary circumstances and conditions, and in the same disturbed area.
3. That fusion with the Grand Trunk will insure a better return on the capital of the Great Western Company than is likely to be obtained without it.
4. That the proposed amalgamation will result in a saving of working expenses, at least commensurate with the risk of linking the fortunes of a road whose ordinary stock is quoted at 60 per cent. with those of a concern standing at 17½ per cent.
5. That the present is not an extraordinary time for discussing amalgamation with the Grand Trunk, when what has hitherto been a chief obstacle in the way of acceptance by the

Great Western of traffic from Ontario and the West for the St. Lawrence route Eastwards is on the eve of removal by the establishment of an independent line from Toronto to the head of ocean navigation.

6. That this is merely an accidental coincidence, and that your present “soundings” have not their origin in that or any other prospective danger visible to those at the helm of the Grand Trunk.

7. That the Canadian people and Parliament will not effectually resist any such step on the ground that it establishes monopoly in local freights; and baving regard to the large advances made to both roads from the Canadian Exchequer, that no risk is run in renewing a movement believed to be unacceptable to both political parties in Canada, and to those important centres of trade in the western peninsula, which are competing points.

I shall address myself, briefly and *seriatim*, to the discussion of these points; though I hold that, as in the case of Queen Elizabeth and the bells, if the last be proved against you, there is no real need here to dwell on the other six.

1. The policy of the Board, you say, is to be judged almost exclusively by the outcome of the Wabash agreement; and you venture the assertion that £400,000 was promised as the annual result. Who promised it? But is it not early to draw any trustworthy conclusions from partial results gained by a connection not completed till the autumn of last year? Now the traffic received from the Wabash, for what you know to the contrary, may be the very thing which has enabled the Great Western to do better than its neighbours, as it certainly has done. What business has been transacted with this company, controlling over 3,000 miles of road through a most money-earning district, is all so much to the good, for the territory was before inaccessible to the Great Western. I can see no other explanation of a dividend of even 1 per cent., in spite of a poor harvest, light carrying trade, and ruinous rates, than this new source of profitable traffic. If the connection were obviously unprofitable, why should the Grand Trunk have ever made overtures for it? They did, didn't they? Finally, are you not aware that not a pound of freight was lost to the Great Western from the Vanderbilt lines by reason of their connection with the Wabash? If Mr. Vanderbilt loves the Great Western but a little, depend on it he hates the Grand Trunk enough to let no insensate jealousy of a Gould road regulate his policy as between the two Canadian lines.

2. The Michigan Central and the Canada Southern, both Vanderbilt roads, have “made announcements” respecting their dividends far more distressing to those concerned than that which you say has led so many Great Western shareholders to appeal to you—a man who, judged by his writings, has never been in Canada—for assistance. The war of rates has been the only cause of a diminution of Great Western Railway dividend, and I believe the Directors will be able to show that the road never did a better business than last year.

3. I am not aware that the Grand Trunk has proposed to guarantee even 3 per cent. to the Great Western proprietors, whereas the payment of that amount last year is a guarantee that in ordinary years that at least may be expected, while events are tending to a much larger development of trade, with corresponding increase of dividend.

4. Probably Sir Henry Tyler never said anything more foolish than that an annual saving of one million of dollars would be effected by amalgamation! If this is correct, then he need not hesitate to guarantee to the Great Western such a minimum dividend as would quell all opposition to his scheme *on this side of the Atlantic*. But will Sir Henry Tyler at the approaching meeting of his company repeat what he said in 1880, and quoted in 1881?—

Looking at the matter from a Grand Trunk point of view, I do not think that we ought now to be in any hurry to fuse. We think we are in an improved condition, so that we can afford to wait. We do not, therefore, want to press any fusion at present.

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This implied that when the Grand Trunk Railway could not afford to wait any longer they would press fusion again. Undoubtedly such an occasion has now arisen; and Sir Henry Tyler will scarcely again have the audacity to state "that the Grand Trunk Company has had nothing to do with it." From a letter in the *Globe*, a leading Canadian newspaper, I had put away the subjoined cutting—

The much-vaunted saving to be effected in this country by amalgamation would be purchased at the expense of efficiency, for there is not a man or officer on either road at present who is not fully occupied. So that, from every point of view, commercial, political, and pecuniary, amalgamation is a project to be opposed by the people of Ontario, who will trust to you, sir, to see that it does not steal on them unawares, consummated (so far as they may be able) by designing English stock-jobbers, who know nothing and care less about our requirements.

Again, in the *Toronto Mail* of August 23, 1879, I find it stated that—

With over 2,000 miles to look after, and a policy to settle here, a dispute there, and a law suit at another point, a general manager would soon find the necessity of appointing deputies at this, that, and the other place, and a very few years would see the salaries' account what it was before amalgamation.

5. Only Sir Henry Tyler has been bold enough to say, "If anybody attempts to make the Toronto and Ottawa line in competition with us, they will have rather a hard time of it." Mr. George Stephen and the Canadian Pacific Railway syndicate must laugh at this bluster. He has purchased the Quebec Government road from Ottawa to Montreal, and is willing to work with the Great Western in the construction and operation of a line from Toronto to Ottawa, which will take goods and passengers to and fro between the ocean steamers and the Great West, without their being beholden for an inch of their journey, at any season of the year, to the Grand Trunk Company. Truly an important—a vital—question for the consideration of the Grand Trunk, its President, Directors, shareholders, stock-jobbers, and wire-pullers! Why, the completion of this scheme, now so nearly approached, will make the Great Western, for the first time in its existence, a really live concern! Buffeted, cajoled, a shuttlecock between American and Anglo-Canadian battledores, it will now, for the first time for years past, breathe freely, and rank as a first-rate power in the congress of trunk lines. Is not this a wonderful time to choose for the revival of a scheme for surrendering its franchises to the Grand Trunk? It would be as if the garrison of a beleaguered city, after months of protracted resistance, and on the eve of an assured relief, capitulated to the besiegers.

6. Even you must admit, sir, that by no merely accidental coincidence can this final effort of yours to save your reputation as a prophet, and to save your clients' money, have been made at a moment when the Grand Trunk's misfortune is pre-eminently the Great Western's opportunity.

7. In dealing with this point I shall again have to quote from the leading Canadian papers. The *Mail*, the organ of the Conservative party now in power, says:—

If an Act of Parliament be required to give effect to any agreement for amalgamation between the companies, it will be our duty to resist its passage to the utmost. No doubt a powerful clique, having large control of the stock of both roads, is at work to bring about the amalgamation; but even supposing that the companies have power to do this thing, we feel assured that public opinion in Canada will find a way to make itself felt, and we are equally sure that the expectant beneficiaries will not reap the harvest that is promised them. A few promoters will gain their temporary ends; but the intrinsic value of the combined stock will be less than it is to-day, if that be possible.

In a leading article, the *Globe*, the organ of the Liberal opposition, says:—

It would be almost as easy to bring about a fusion of the Legislatures of Newfoundland and Ontario, as to persuade the Railway Committee of the House of Commons at Ottawa to entertain an application for any such amalgamation. The Great Western road has proved itself able to exist and prosper independent of the Grand Trunk, and whatever may be the swallowing capacity of that road, it will not be allowed to gorge itself with its most powerful rival.

The *Mail* says also:—

We repeat our inability to see why the Great Western should desire amalgamation. It would be a case of the lion and the lamb lying down together; but the lamb would be inside the lion.

All Canadian newspapers have spoken in the same strain. Amalgamation will not be tolerated in Canada, and the Canadians will not be exceedingly slow or scrupulous in their choice of means to thwart or nullify any such movement. Sir Henry's imprudent boast of saving £200,000 per annum was naturally construed in Canada to mean that that amount would be made out of a monopoly of rates, and if he was in any sense serious, that must have been his meaning. Think you, the Canadians are people to stand that kind of pillaging? You don't know them as well as I do, or you would give them credit

for no such complacency. Inspired newspaper writers have lately been quoting the amalgamation of the Northern Railway with the Hamilton and North-Western as proof that such things are done, and can be done again, in Canada. But there is little analogy in the two cases. Your amalgamation, Sir, will rouse the antagonism of Toronto, Paris, London, Galt, Guelph, Woodstock, and the Buffalo and Detroit frontiers. The amalgamation cited as a precedent concerned only the small town of Barrie and the city of Hamilton. The chief citizens of Hamilton were on the Hamilton and North-Western Board, and were personally responsible for advances. They extricated themselves from a very tight place by this amalgamation. Hamilton therefore was quiet, though undoubtedly her interests were sacrificed to Toronto, and Toronto had no cause to complain. At the points of contact threatened by your scheme nothing short of a revolution would follow the withdrawal of the present competition (such as it is) for local business.

The Great Western Company has a natural right to resist encroachments made by the Grand Trunk. The Great Western was built through the Western Peninsula upon the distinct understanding that it would be the Grand Trunk line west of Toronto. Faith was broken, and the Toronto and Guelph road was the first section of the present Grand Trunk system built in opposition to the Great Western. What that breach of faith has cost original Great Western shareholders it is impossible to calculate; but now that a similar opposition east of Toronto is threatened to the Grand Trunk Railway, and a chance is to be afforded for the Great Western to retaliate exactly in kind, and get back some of its losses, the Grand Trunk artillerymen are bid stand to their guns, and the air is full of thunder and smoke.

Independent of through traffic, the Great Western has the best paying piece of railway in British North America in their Hamilton and Toronto branch; they have a better country to pass through than the Grand Trunk, and a prospect of better times to come; they have good and economical local management; and their affairs at home and in Canada are honestly and conscientiously administered—a great change from what I can remember in this respect. Is it possible that the owners of such a property should consent to be made tools of for the extrication of a few unfortunates from a serious predicament?

From first to last the state of the case submitted to them by you and your friends has been absurdly wrong and imperfect, and has been received in Canada with the derision it deserves. But time and space will not admit of a full exposition of all the fallacies adduced. The Rome and Watertown agreement is ridiculed by you as having fallen through, whereas it is notorious that Vanderbilt gave the Great Western every facility at the Niagara Suspension Bridge for making the connection, so saving the Company the expense of a bridge at Lewiston, as well as several miles of road. Colonel Grey has a right to think this a master-stroke of policy. In fact, a new route for summer travellers to the White Mountains and New England was opened up, no doubt to the disgust of the Grand Trunk; and of this, if you are commonly honest, it must be supposed you are ignorant, though everybody in Canada is perfectly well aware of it. Quite naturally, the actual ownership of five shares in the company has not been sufficient inducement for you to make a searching examination into its business; but why, then, take so prominent a part in the attempt to save it from destruction? You cannot run with the hare and hunt with the hounds. The hare repudiates your companionship, and suspects your sympathy.

I shall conclude with an extract from the latest number of the *Economist*, always a well-informed journal:—

Efforts are being made by speculators to revive the fusion cry in respect to the Great Western and Grand Trunk companies, with apparently as little chance of success as heretofore.

It seems, then, that all well-informed writers in England and Canada agree in the measure taken of you and your coadjutors. What I have read on the subject in some respectable English newspapers would be astounding, were it not for the reflection that the honest editors take a good deal on trust, and only know what you choose to tell them.

Your obedient servant,

W. A. DIXON.

March 24th, 1882.



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